

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

July 10, 2008

Members present:

WARREN WHITNEY, Chairperson, VSEA member (term expiring September, 2008)
JEB SPAULDING, Vice-Chairperson, VT State Treasurer
ROBERT HOOPER, VSEA member (term expiring September 2008)
KEVIN GAFFNEY, VSEA member (term expiring September 2009)
JAMES REARDON, Commissioner of Finance & Management
DAVID HERLIHY, Commissioner of Human Resources
ROGER DUMAS, Vermont Retired State Employees' Assoc. (term expiring September, 2009)

Members absent:

DICK JOHANNESSEN, Governor's Delegate

Also attending:

Donna Holden, Board Coordinator
Cynthia Webster, Director of Retirement Policy and Outreach
ELIZABETH PEARCE Representing JEB SPAULDING, Vice-Chairperson, VT State Treasurer
Bill Rice, Law and Policy Director
Jaye Pershing-Johnson, Assistant Attorney General

The Chairperson, Warren Whitney, called the Thursday, July 10, 2008, meeting to order at 8:35 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: Approve the minutes of:

- **May 29, 2008 meeting**
- **June 12, 2008 meeting**

On a motion by Mr. Dumas seconded by Mr. Hooper, the Board unanimously voted to approve the minutes of May 29, 2008 and June 12, 2008, as submitted.

With the Board's permission, items on the agenda were taken out of order.

ITEM 2: Discuss Potential 403(b) Contracting Implications

Mr. Spaulding advised the Board the VSTRS Board was reviewing the RFP responses with interviews planned for July 24, 2008. He noted that any further discussion prior to completion of the selection process was premature; however, he thought it was prudent to advise the Board if Great-West Retirement Services was selected for the 403(b) third party administration, and if the investment plan was structured similar to the §457 Plan, there could be a potential for expanded interfacing with the VSTRS regarding the mutual contracting of services.

Mr. Spaulding left the meeting. Ms. Pearce took his place.

ITEM 3: Discuss/Act on Travel Request to 13th Annual Super Bowl of Indexing

Mr. Hooper disclosed that he had already registered to attend the conference; however, upon discussion with Treasurer's Office staff, he was now requesting Board permission to attend the all-expenses paid conference December 7-10 in Phoenix, AZ, sponsored by Information Management Network. He noted permission had been granted in prior years, and that the only potential expense to the system would be the allowable per diem.

The Board discussed "appearance" issues, whether this travel fell under the Board's purview or VPIC, and the current out-of-state travel prohibition. Mr. Rice advised the Board he felt there was no direct vendor gift, thereby, no violation of the Standards of Conduct Policy.

Mr. Hooper made a motion seconded by Mr. Whitney, to approve the travel request by Mr. Hooper to attend the 13th Annual Super Bowl of Indexing Conference December 7-10, 2008 in Phoenix, AZ. Motion failed, 4 to 3. Mr. Herlihy, Mr. Reardon, Ms. Pearce, and Mr. Dumas voted no.

**ITEM 4: VPIC Representative and Alternate Election Results and
Communication Expectations**

Mr. Whitney advised the Board that he was elected as representative to the VPIC, and Mr. Hooper was elected to serve as alternate.

Mr. Whitney noted that Mr. Johannesen and Mr. Spaulding would also be serving on the VPIC, therefore, in addition to meeting being open to the public the minutes of the meeting would be available. He asked that Board members with questions feel free to contact any of the VPIC members for information.

**ITEM 5: Discuss/Act on Amended Retirement Factors and
Premium Reduction Factors**

Mrs. Webster explained as a result of the new full COLA adjustments legislation, and the requirement that its cost remain neutral to the system, that a review and adjustments to service credit purchases, survivorship, and other retirement factors were required.

The Board reviewed the proposed purchasing factors and were advised the remaining factors would be forthcoming and presented to the Board for approval at a later date. Questions arose regarding the time value of the purchase and methodology used to determine the new factors.

On a motion by Mr. Hooper seconded by Mr. Gaffney, the Board unanimously voted to postpone approval of the amended retirement factors, pending further information from the actuary at the August 14, 2008 meeting.

Mr. Hooper left during the next item.

The Board discussed the factors implemented on January 1, 2008. Mrs. Webster explained that effective January 1, 2007; retirees that elected a survivorship option could also elect, at a reduced premium, to provide continued subsidized health insurance coverage to their surviving spouse. She said the reduced premium factors were created by the actuary based on the assumptions adopted by the Board with their 5-year experience study, and implemented.

Mrs. Webster advised the Board that a question regarding whether the actual experience of health premium increases and cost neutrality should be reviewed in a shorter 2-3 year cycle was raised by the VSTRS Board, and after speaking to the actuary that Board requested further information and clarification of the methodology used to determine the factors.

The Board agreed to the current factors as described by Mrs. Webster, however also had questions and required further information.

On a motion by Mr. Reardon seconded by Mr. Dumas, the Board unanimously voted to postpone approval of the premium reduction factors, pending further information from the actuary at the August 14, 2008 meeting.

Mr. Hooper returned during the next item.

ITEM 6: Discuss IRS Determination Process

Mr. Rice distributed a memo dated 7/10/08, and explained the current opportunity to participate in an IRS determination process by January 31, 2009, which included a voluntary disclosure process being offered and recommended to all governmental retirement plans. He explained the tow-part process included fees of up to \$26K per system, plus the cost of contracting with a tax attorney to review the system Plan documents (statutes) in preparation of the filings.

Ms. Pershing-Johnson confirmed the Treasurer's Office was working with the AG's Office and have discussed the need to obtain the services of an IRS knowledgeable attorney or firm to work with the systems in preparation of the review/determination process. She indicated the AG's Office would do the contracting for services rather than the Boards and/or Treasurer's Office.

Mr. Rice advised the plan was to have the Contractor review statutes and have the initial application completed by the Board's October meeting, with an IRS response and action plan prepared for the Board's review by the 1/1/09 determination letter application deadline.

On a motion by Mr. Herlihy seconded by Mr. Reardon, the Board voted to authorize the Treasurer's Office to move forward with the IRS review and determination letter process as outlined, including the IRS fees and legal services costs, contingent upon written approval of the Attorney General's Office. Motion passed, 6-1. Mr. Hooper voted no.

ITEM 7: Discuss/Act on Proposal for Service Credit Calculations

Mrs. Webster reviewed her 6/30/08 memo.

On a motion by Mr. Hooper seconded by Mr. Reardon, the Board unanimously voted to approve the 6/30/08 proposed service credit calculation method, as presented.

ITEM 8: Any Other Retirement Business to Come Before the Board

Ms. Pearce advised the Board she was working with the auditors to develop a first time accountability of OPEB liability process. She agreed to bring the Board a recommendation for a future accounting structure.

ITEM 9: Adjournment

On a motion by Mr. Hooper seconded by Mr. Reardon, the Board unanimously voted to adjourn at 10:50 a.m.

Next Meeting Dates:

The next scheduled VSERS in-house meeting is August 14, 2008

Respectfully submitted,

Donna Holden, Board Coordinator
for Cynthia Webster, Secretary to the Board